

## Message Text

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ORIGIN TRSE-00

INFO OCT-01 SS-04 ISO-00 EB-04 EUR-03 NSCE-00 NSC-04 INR-01  
INRE-00 FRB-03 CEA-01 SSO-00 /021 R

DRAFTED BY TREASURY:DSYVRUD:NJACKLIN:MS  
APPROVED BY EUR/WE EDWARD M. ROWELL  
EB - MR. BOEKER

-----252258Z 042873 /62

O 252212Z JAN 77  
FM SECSTATE WASHDC  
TO AMEMBASSY LISBON IMMEDIATE

C O N F I D E N T I A L STATE 016773

LIMDIS GREENBACK

E.O. 11652: GDS

TAGS: EAID, PO

SUBJECT: FINANCIAL ASSISTANCE PROGRAM FOR PORTUGAL

REF: LISBON 499

1. TREASURY HAS PROVIDED THE FOLLOWING RESPONSE TO REFTEL.
2. DURING CONSULTATIONS AT TREASURY ON JANUARY 24, BIS PRESIDENT, RENE LARRE, AGREED TO COOPERATE IN THE IMPLEMENTATION OF OPTION 4 (GOLD SWAPS). THE BIS WILL BE PREPARED TO EXTEND GOLD COLLATERAL LOANS TO PORTUGAL FOR THE SIX MONTH PERIOD, WITH REPAYMENT AT THE END OF SIX MONTHS. IF PORTUGAL CANNOT REPAY ON TIME, THE BIS WOULD BE COLLATERALIZED ON TERMS COMPARABLE WITH PREVIOUS PORTUGUESE LOANS FROM THE BIS. THEY WOULD BE COLLATERALIZED AT 120 PERCENT OF THE LOAN (WITH THE GOLD VALUED AT THE MARKET PRICE) AND WITH AN OBLIGATION ON PORTUGAL TO MAIN-  
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TAIN THE VALUE OF THE COLLATERAL ON THE BASIS OF THREE MONTH REVIEW.

3. WHILE NO AGREEMENT WAS REACHED WITH LARRE AT THIS POINT ON THE IMPLEMENTATION OF OPTION 3, FURTHER EFFORTS COULD BE TAKEN TO WORK OUT ACCEPTABLE ARRANGEMENTS WITH THE BIS ONCE THE AGREEMENT WITH THE ESF IS IN PLACE.

4. CONCERNING THE POINTS RAISED BY THE PORTUGUESE IN  
PARAGRAPH 2 OF REFTTEL:

(A) WE PREFER NOT TO INCLUDE A REFERENCE TO THE \$1.5  
BILLION CONSORTIUM UNTIL SUCH TIME AS THE NEW ADMIN-  
ISTRATION HAS APPROVED LEGISLATION PROPOSALS ON THIS  
MATTER. WE ARE PROCEEDING WITH THIS AS PROMPTLY AS  
POSSIBLE, BUT WE CANNOT PREDICT HOW LONG IT MIGHT TAKE.

(B) TO MEET PORTUGUESE CONCERNS ABOUT THE CONDITIONALITY  
LANGUAGE, SUGGEST THAT PARA. II OF ANCILLARY AGREEMENT  
NO. 2 AND PARA 3 OF ANCILLARY AGREEMENT NO. 3 WOULD BE  
REVISED TO STATE THAT FINANCING WOULD BE AVAILABLE "UNLESS  
THE SECRETARY OF THE TREASURY OF THE UNITED STATES DETER-  
MINES THAT THE REPUBLIC OF PORTUGAL IS NOT TAKING EVERY  
REASONABLE EFFORT TO IMPLEMENT A SOUND ECONOMIC PROGRAM  
TO ATTAIN THE OBJECTIVES OF ECONOMIC STABILIZATION AND  
CORRECTION OF PORTUGAL'S BALANCE OF PAYMENTS DIFFICULTIES."

(C) CONCERNING THE ROLE OF THE REPUBLIC OF PORTUGAL  
SUGGEST CHANGE IN TITLE OF ANCILLARY AGREEMENT NO. 1 AS  
BETWEEN: UNITED STATES TREASURY, THE BANK OF PORTUGAL  
AND THE REPUBLIC OF PORTUGAL. IN PARA. I, DELETE THE  
PHRASE: "WITH THE REPUBLIC OF PORTUGAL AS GUARANTOR OF  
THE BANK." REWRITE PARA. IX TO READ AS FOLLOWS: "THE  
REPUBLIC OF PORTUGAL WILL DRAW FROM THE IMF, IN ACCORDANCE  
WITH THE ARTICLES OF AGREEMENT OF THE IMF, SUCH AMOUNTS  
AS MAY BE NECESSARY TO MEET THE LIQUIDATION OBLIGATIONS  
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UNDER THIS AGREEMENT."

5. UNLESS WE RECEIVE WORD TO THE CONTRARY, TREASURY WILL  
INCORPORATE THE ABOVE CHANGES AND THOSE IN PARAGRAPHS 5  
THROUGH 7 OF STATE 11282 IN THE NEXT TEXT OF THE PROPOSED  
AGREEMENT AND CABLE A REVISED COPY TO THE EMBASSY.

6. IF THE REVISED LANGUAGE IS ACCEPTABLE TO THE GOP THE  
PORTUGUESE PARTICIPANTS IN THE AGREEMENT (PARA 4C ABOVE)  
SHOULD NOTIFY THE USG BY CABLE AND THE AGREEMENT WOULD  
BECOME EFFECTIVE WHEN THE U.S. TREASURY RECEIVES THE  
NOTIFICATION.  
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## Message Attributes

**Automatic Decaptioning:** Z  
**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** POLICIES, FOREIGN ASSISTANCE, FINANCIAL PROGRAMS  
**Control Number:** n/a  
**Copy:** SINGLE  
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**Decaption Date:** 22 May 2009  
**Decaption Note:** 25 YEAR REVIEW  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 22 May 2009  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1977STATE016773  
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**Executive Order:** GS  
**Errors:** N/A  
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**Office:** ORIGIN TRSE  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** LIMDIS  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
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**Previous Handling Restrictions:** LIMDIS  
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**Review Withdrawn Fields:** n/a  
**SAS ID:** 3504443  
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**Status:** NATIVE  
**Subject:** FINANCIAL ASSISTANCE PROGRAM FOR PORTUGAL  
**TAGS:** EAID, PO, US  
**To:** LISBON  
**Type:** TE  
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**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
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